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INFO RUCNCIS/CIS COLLECTIVE 1511
RUEHZL/EUROPEAN POLITICAL COLLECTIVE
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SUBJECT: KAZAKHSTAN: ECONOMIC AND ENERGY UPDATE, MARCH 29-APRIL
11, 2009

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¶1. SUMMARY: This information is drawn primarily from the Kazakhstani local press and has not been verified for accuracy.

-- Banking Sector News
-- Etihad Airways to Fly to Astana
-- New Commodity Exchange Launched
-- Kazakhstan Raises Loan For Europe-China Transit Corridor
-- Economic Statistics
-- KazMunayGas Bid on Iraq Deposits
-- Kazakhstan President Receives Gazprom President
-- Austrian-Romanian JV Launches Production

BANKING SECTOR NEWS

¶2. The total foreign obligations of the Kazakhstani banking were \$35 billion as of April 1, the National Bank reported. According to National Bank Chairman Grigoriy Marchenko, banks repaid \$3.6 billion to foreign creditors during the first quarter of 2009, and are scheduled to repay \$2.5 billion in each of the remaining quarters of the year.

¶3. On April 10, BTA Bank Ukraine officially announced that its parent, Almaty-based BTA Bank, reduced its share in the Ukrainian subsidiary from 49.98% to 9.99%. BTA Bank promptly refuted the announcement and said any such transactions would have been conducted without its consent and would not be legally valid. Arman Dunaev, BTA Bank's Chairman, said "the attempt to deprive us from the right of ownership is illegal. We will defend our rights and will appeal to the Ukrainian authorities with a request to stop illegal actions towards Kazakhstani investors."

¶4. According to press releases issued by BTA Bank, UBS and Goldman Sachs will act as advisors to the bank. BTA Bank did not provide any other details regarding this decision.

¶15. Abu Dhabi-based Al Hilal Bank said it will open the first Islamic bank in Kazakhstan. This will also be the bank's first foray outside of the United Arab Emirates. Al Hilal, which plans to open in Almaty during the second half of 2009, will offer traditional Islamic financial instruments.

ETIHAD AIRWAYS TO FLY TO ASTANA

¶16. Etihad Airways, the national airline of the United Arab Emirates, will launch non-stop flights from Abu Dhabi to Astana beginning May 7. The airline already operates non-stop flights from Almaty.

NEW COMMODITY EXCHANGE LAUNCHED

¶17. The Eurasian Trading System (ETS), a new commodity exchange operated jointly by the Regional Financial Center Almaty (RFCA) and Russia's RTS Stock Exchange, opened in Almaty in March. The exchange currently facilitates spot trading in grain, but plans to add trading in metals, fuel, and lubricants in the near future. It also expects to conduct futures trading. RFCA chairman Arken Arystanov expects the turnover of the commodity exchange to exceed \$200 million in 2009.

KAZAKHSTAN SECURES LOANS FOR EUROPE-CHINA TRANSIT CORRIDOR

¶18. Kazakhstan signed loan agreements with the Asian Development Bank (ADB) and the European Bank for Reconstruction and Development (EBRD) for the construction of the Western Europe - Western China international transit corridor. ADB will lend \$340 million for 25 years at an annual rate of LIBOR plus 0.2%, with a five-year grace period. The EBRD loan is for \$180 million and will be extended for 19 years at LIBOR plus 1% annually, including a four-year grace period. In addition, Kazakhstan plans to obtain loans for this project from IBRD, the Islamic Development Bank, and the Japan

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International Cooperation Agency.

ECONOMIC STATISTICS

¶19. National Bank Chairman Grigoriy Marchenko said that 2008 was marked by the largest inflow of foreign direct investment (FDI) in the history of Kazakhstan -- almost \$20 billion in gross inflow and \$14.5 billion in net inflow. Net FDI for 2008 was 12% of GDP.

¶10. Bilateral trade between Japan and Kazakhstan grew from \$116 million to \$1.7 billion between 2000 and 2007, according to the Kazakhstan Institute of Strategic Studies. Trade with Japan is 2.5 times greater than trade with South Korea.

KAZMUNAIGAS BID ON IRAQ DEPOSITS

¶11. KMG Exploration and Production (KMG E&P), the production subsidiary of national oil and gas company KazMunaiGas, has been shortlisted, along with nine other companies, to take part in the second round of negotiations for the development of Iraq's oil deposits, the Khabar television channel reported on April 1. KMG E&P would more likely act as a service provider, rather than a field operator.

PRESIDENT NAZARBAYEV RECEIVES GAZPROM HEAD

¶12. President Nazarbayev received Gazprom head Alexei Miller at his Almaty residence on April 9. Miller informed Nazarbayev that the Kazakhstani-Russian joint venture KazRosGas plans to develop the Imashevskoye gas field. He also said that Russia would soon provide Kazakhstan with the results of a geological survey for the Tsentralnaya offshore oil deposit in the Russian sector of the Caspian Sea. Miller told reporters that the designed throughput capacity of the Prikaspiski gas pipeline would be boosted from 20 billion cubic meters (bcm) to 40 bcm.

AUSTRIAN-ROMANIAN JV LAUNCHES PRODUCTION

¶13. On April 9, the Austrian-Romanian joint venture KomMunai

launched commercial production at the Komsomolskoye oil and gas field in Mangistau oblast. The field is expected to produce 480,000 tons of crude oil a year until 2038. The Akim (Governor) of Mangistau oblast, Krymbek Kushnerbayev, hailed the company as an "effective investor that managed to start industrial development in two years." The estimated reserves of the Komsomolskoye field total 13.5 million tons of oil and 2.5 bcm of natural gas.

HOAGLAND